



海天水电
HaiTian Hydropower

HAITIAN HYDROPOWER INTERNATIONAL LIMITED

海天水电國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8261)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Haitian Hydropower International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

ANNUAL RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015, together with the comparative audited figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	206,653	64,539
Cost of sales		<u>(73,067)</u>	<u>(13,363)</u>
Gross profit		133,586	51,176
Other income	5	1,455	2,479
Gain on deemed disposal of available-for-sale investment		–	21,062
Administrative expenses		(19,550)	(8,062)
Other operating expenses		(463)	(183)
Finance costs	6	<u>(37,160)</u>	<u>(15,957)</u>
Profit before tax		77,868	50,515
Income tax expense	7	<u>(22,300)</u>	<u>(8,495)</u>
Profit for the year and total comprehensive income for the year	8	<u>55,568</u>	<u>42,020</u>
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		46,979	41,844
Non-controlling interests		<u>8,589</u>	<u>176</u>
		<u>55,568</u>	<u>42,020</u>
Earnings per share (<i>RMB cents</i>)	10		
Basic		<u>2.26</u>	<u>2.09</u>
Diluted		<u>2.17</u>	<u>2.09</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		709,088	732,117
Prepaid lease payments		20,289	20,777
Goodwill		25,178	25,178
Intangible assets		9,483	10,256
Deposits paid for acquisition of non-current assets		2,500	3,441
Other deposit and prepayment		16,030	14,786
Deferred tax assets		101	92
		<u>782,669</u>	<u>806,647</u>
Current assets			
Trade and other receivables	<i>11</i>	16,602	49,467
Prepaid lease payments		487	487
Pledged bank deposit		–	10,000
Bank balances and cash		271,557	114,555
		<u>288,646</u>	<u>174,509</u>
Current liabilities			
Trade and other payables	<i>12</i>	36,221	52,109
Amount due to a related company		859	–
Amount due to a director		548	–
Income tax payables		19,945	14,028
Unsecured other borrowing		–	13,410
Secured bank borrowings	<i>13</i>	79,075	63,562
Obligations under finance leases	<i>15</i>	40,268	34,321
		<u>176,916</u>	<u>177,430</u>
Net current assets (liabilities)		<u>111,730</u>	<u>(2,921)</u>
Total assets less current liabilities		<u>894,399</u>	<u>803,726</u>

	<i>Notes</i>	2015 RMB'000	2014 <i>RMB'000</i>
Capital and reserves			
Share capital		8,883	8,156
Reserves		292,489	159,571
		<hr/>	<hr/>
Equity attributable to owners of the Company		301,372	167,727
Non-controlling interests		47,087	39,371
		<hr/>	<hr/>
Total equity		348,459	207,098
		<hr/>	<hr/>
Non-current liabilities			
Secured bank borrowings	<i>13</i>	363,090	292,250
Convertible notes	<i>14</i>	–	87,457
Obligations under finance leases	<i>15</i>	105,107	141,080
Debentures	<i>16</i>	25,133	23,666
Deferred tax liabilities		52,610	50,429
Other payable		–	1,746
		<hr/>	<hr/>
		545,940	596,628
		<hr/> <hr/>	<hr/> <hr/>
		894,399	803,726
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Special reserve	Equity transaction reserve	Convertible notes reserve	Statutory reserve	Capital reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	8,156	48,782	362	48,622	-	-	3,397	24	13,063	122,406	-	122,406
Profit for the year and total comprehensive income for the year	-	-	-	-	-	-	-	-	41,844	41,844	176	42,020
Appropriation to statutory reserve	-	-	-	-	-	-	2,873	-	(2,873)	-	-	-
Recognition of equity component of convertible notes	-	-	-	-	-	3,477	-	-	-	3,477	-	3,477
Acquisition of a subsidiary (Note 18(c))	-	-	-	-	-	-	-	-	-	-	41,121	41,121
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,926)	(1,926)
At 31 December 2014	8,156	48,782	362	48,622	-	3,477	6,270	24	52,034	167,727	39,371	207,098
Profit for the year and total comprehensive income for the year	-	-	-	-	-	-	-	-	46,979	46,979	8,589	55,568
Appropriation to statutory reserve	-	-	-	-	-	-	10,581	-	(10,581)	-	-	-
Acquisition of additional interest in a non-wholly owned subsidiary	-	-	-	-	(1,127)	-	-	-	-	(1,127)	(873)	(2,000)
Issue of shares upon conversion of convertible notes	727	90,625	-	-	-	(3,477)	-	-	-	87,875	-	87,875
Transaction costs attributable to issue of shares upon conversion of convertible notes	-	(82)	-	-	-	-	-	-	-	(82)	-	(82)
At 31 December 2015	8,883	139,325	362	48,622	(1,127)	-	16,851	24	88,432	301,372	47,087	348,459

NOTES:

1. GENERAL

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate holding company of the Company is Victor River Limited, a company incorporated in the British Virgin Islands (“BVI”), and the ultimate controlling party of the Company is Mr. Lin Yang. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong respectively.

The shares of the Company are listed on the GEM of the Stock Exchange.

The Company is engaged in investment holding while the Group is principally engaged in hydropower generation, provision of operating and repair and maintenance services for hydropower plants and trading of electricity.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Group. RMB is the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) AND NEW HONG KONG COMPANIES ORDINANCE

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹

¹ *Effective for annual periods beginning on or after 1 January 2016.*

² *Effective for annual periods beginning on or after 1 January 2018.*

³ *Effective date not yet been determined.*

The Directors anticipate that the application of new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

Revenue represents the net amounts received and receivable for electricity sold, repair and maintenance, and operating services rendered by the Group to outside customers, net of sales related taxes.

Analysis of the Group's revenue for the year is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of electricity	202,269	54,061
Provision of repair and maintenance services	4,301	7,460
Provision of operating services	83	3,018
	<hr/> 206,653 <hr/>	<hr/> 64,539 <hr/>

4. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are the same and maintain reported as follows:

- | | |
|-------------------------------|--|
| Hydropower generation | – Operation of hydropower plants in the People's Republic of China (the "PRC") and sales of electricity. |
| Hydropower operation services | – Provision of operating and repair and maintenance services for hydropower plants in the PRC. |
| Hydropower trading | – Trading of electricity |

During the year ended 31 December 2015, the executive Directors, after considering the change of composition of revenue, decided that it is more appropriate to include hydropower trading in assessing the performance and resource allocation. The trading of hydropower was then reclassified from hydropower generation and the relevant segment information for the year ended 31 December 2014 was restated.

During the year ended 31 December 2014, there was a new reportable and operating segment regarding provision of hydropower operating and repair and maintenance services upon the acquisition of a subsidiary as disclosed in note 18(b).

(a) **Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December

	Hydropower generation		Hydropower operation services		Hydropower trading		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue								
External sales	162,390	53,977	4,384	10,478	39,879	84	206,653	64,539
Inter-segment sales	<u>-</u>	<u>-</u>	<u>6,809</u>	<u>228</u>	<u>-</u>	<u>-</u>	<u>6,809</u>	<u>228</u>
Segment revenue	<u>162,390</u>	<u>53,977</u>	<u>11,193</u>	<u>10,706</u>	<u>39,879</u>	<u>84</u>	<u>213,462</u>	<u>64,767</u>
Eliminations							<u>(6,809)</u>	<u>(228)</u>
Group revenue							<u>206,653</u>	<u>64,539</u>
Segment profit	<u>104,472</u>	<u>38,945</u>	<u>3,719</u>	<u>7,920</u>	<u>10,428</u>	<u>30</u>	<u>118,619</u>	<u>46,895</u>
Gain on deemed disposal of available-for-sale investment							-	21,062
Unallocated corporate income							1,455	2,479
Unallocated corporate expenses							(5,046)	(3,964)
Finance costs							(37,160)	(15,957)
Profit before tax							<u>77,868</u>	<u>50,515</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of gain on deemed disposal of available-for-sale investment, other income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged with reference to market prices.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 December

	Jointly shared by hydropower generation and hydropower trading		Hydropower operation services		Total	
	2015	2014	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	<u>798,835</u>	<u>840,944</u>	<u>696</u>	<u>5,480</u>	<u>799,531</u>	<u>846,424</u>
Unallocated corporate assets						
– Other receivables					126	10,085
– Pledged bank deposit					–	10,000
– Bank balances and cash					271,557	114,555
– Deferred tax assets					<u>101</u>	<u>92</u>
Total assets					<u><u>1,071,315</u></u>	<u><u>981,156</u></u>
Segment liabilities	<u>36,255</u>	<u>20,220</u>	<u>1,373</u>	<u>739</u>	<u>37,628</u>	<u>20,959</u>
Unallocated corporate liabilities						
– Other payables					–	32,896
– Income tax payables					19,945	14,028
– Unsecured other borrowing					–	13,410
– Secured bank borrowings					442,165	355,812
– Obligations under finance leases					145,375	175,401
– Convertible notes					–	87,457
– Debentures					25,133	23,666
– Deferred tax liabilities					<u>52,610</u>	<u>50,429</u>
Total liabilities					<u><u>722,856</u></u>	<u><u>774,058</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain other receivables, pledged bank deposit, bank balances and cash and deferred tax assets; and
- all liabilities are allocated to operating segments other than certain other payables, income tax payables, unsecured other borrowing, secured bank borrowings, obligations under finance leases, convertible notes, debentures and deferred tax liabilities.

(c) **Other segment information**

For the year ended 31 December

	Jointly shared by hydropower generation and hydropower trading		Hydropower operation services		Total	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to non-current assets (Note)	1,791	638,537	232	938	2,023	639,475
Amortisation of prepaid lease payments	488	414	–	–	488	414
Amortisation of intangible assets	773	217	–	–	773	217
Depreciation of property, plant and equipment	24,395	7,337	232	160	24,627	7,497
Net loss on disposal / written off of property, plant and equipment	157	6	–	–	157	6

Note: Non-current assets excluded financial instruments and deferred tax assets. During the year ended 31 December 2014, included in the addition to non-current assets, approximately RMB610,434,000 (2015: nil) were arisen from acquisition of subsidiaries.

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Bank interest income	597	312	2	1	599	313
Finance costs	37,160	15,957	–	–	37,160	15,957

(d) **Geographical information**

As all the Group's revenue is derived from customers based in the PRC (country of domicile) and all the Group's non-current assets are located in the PRC, no geographical information is presented.

(e) **Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Customer A ^{1 and 2}	119,434	25,242
Customer B ¹	36,936	20,751
Customer C ¹	<u>26,195</u>	<u>N/A</u> *

¹ Revenue from hydropower generation

² Revenue from hydropower trading

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Bank interest income	599	313
Other interest income (<i>Note (i)</i>)	–	574
Net gain on early repayment of amount due to a former beneficial owner of a subsidiary	65	–
Gain on disposal of property, plant and equipment	–	7
Government grant (<i>Note (ii)</i>)	373	100
Net exchange gain	–	1,485
Rental income (net of outgoings: nil)	7	–
Waive of convertible notes interest (<i>Note 14</i>)	272	–
Reversal of impairment for trade and other receivable	30	–
Others	<u>109</u>	<u>–</u>
	<u>1,455</u>	<u>2,479</u>

Notes:

- (i) Other interest income represented interest income arising from the loan to a former beneficial owner of a subsidiary. The loan balance was settled by the loan from a former beneficial owner of a subsidiary arising from the acquisition of a subsidiary as stated in note 18(c).
- (ii) Government grant was received from local government authority of which the Group fulfilled all conditions or contingencies relating to such subsidy.

6. FINANCE COSTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interest on secured bank borrowings	21,185	8,831
Interest expense on convertible notes (<i>Note 14</i>)	690	373
Interest on debentures	1,928	634
Interest on finance leases	12,183	6,048
Interest on former beneficial owner of a subsidiary	850	75
Interest on former holding company of a subsidiary	45	33
Interest on unsecured other borrowing	312	99
	<hr/>	<hr/>
Total borrowing costs on financial liabilities that are not at fair value through profit or loss	37,193	16,093
Less: amounts capitalised in the cost of qualifying assets (<i>Note</i>)	(33)	(136)
	<hr/>	<hr/>
	37,160	15,957
	<hr/> <hr/>	<hr/> <hr/>

Note: The capitalisation ratio of borrowings for the year ended 31 December 2015 is 7.30% (2014: 5.97%) per annum.

7. INCOME TAX EXPENSE

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
The charge comprises:		
PRC Enterprise Income Tax (“EIT”)	20,120	8,565
Under-provision in prior year	8	–
	<hr/>	<hr/>
	20,128	8,565
Deferred taxation		
Current year	2,172	(70)
	<hr/>	<hr/>
	22,300	8,495
	<hr/> <hr/>	<hr/> <hr/>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for both years.
- (iii) Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of all subsidiaries established in the PRC is 25% for both years.

8. PROFIT FOR THE YEAR

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's emoluments	1,325	794
Salaries, wages and other benefits (excluding Directors and the chief executive)	11,691	3,643
Retirement benefits scheme contribution (excluding Directors and the chief executive)	<u>1,107</u>	<u>373</u>
	<u>14,123</u>	<u>4,810</u>
Auditor's remuneration	643	701
Depreciation for property, plant and equipment	24,627	7,497
Amortisation of prepaid lease payments (included in cost of sales)	488	414
Amortisation of intangible assets	773	217
Net exchange loss	2,456	–
Loss on disposal / written off of property, plant and equipment	157	13
Impairment losses on trade and other receivables	1,037	–
Operating lease charges in respect of properties	<u>835</u>	<u>192</u>

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2015	2014
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	46,979	41,844
Interest expense on convertible notes	690	373
Waive of convertible notes interest	(272)	–
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	47,397	42,217
	<hr/> <hr/>	<hr/> <hr/>
	2015	2014
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,077,436	2,000,000
Convertible notes (<i>Note 14</i>)	106,564	11,594
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,184,000	2,011,594
	<hr/> <hr/>	<hr/> <hr/>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2015 and 2014 has been adjusted for the share subdivision on 26 May 2015.

Diluted earnings per share was the same as the basic earnings per share for the year ended 31 December 2014, as the effect of the conversion of the Company's outstanding convertible notes would result in an increase in earnings per share for the year ended 31 December 2014.

11. TRADE AND OTHER RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	12,573	27,498
<i>Less: allowance for trade receivables</i>	<u>(67)</u>	<u>(60)</u>
	<u>12,506</u>	<u>27,438</u>
Deposits and other receivables	2,669	2,873
<i>Less: allowance for deposits and other receivables</i>	<u>(1,736)</u>	<u>(736)</u>
	<u>933</u>	<u>2,137</u>
Loan receivable	–	6,546
Amount due from a former holding company of a subsidiary	<u>–</u>	<u>9,966</u>
	<u>–</u>	<u>16,512</u>
	13,439	46,087
Prepayments	<u>3,163</u>	<u>3,380</u>
Total trade and other receivables	<u>16,602</u>	<u>49,467</u>

The Group allows a range of credit period of 15 to 30 days to its trade customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 30 days	12,152	25,901
31 to 60 days	<u>354</u>	<u>1,537</u>
	<u>12,506</u>	<u>27,438</u>

12. TRADE AND OTHER PAYABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables	13,607	7,398
Construction payables	5,975	5,663
Other payables and accrued expenses	8,256	5,978
Receipts in advance	903	800
Other tax payables	3,760	2,959
Amount due to a non-controlling shareholder of a subsidiary	3,720	3,720
Amount due to a former beneficial owner of a subsidiary	–	26,337
Amount due to a former holding company of a subsidiary	–	1,000
	<u>36,221</u>	<u>53,855</u>
<i>Less:</i> amount due to a former beneficial owner of a subsidiary, due more than one year, included as non-current liabilities	<u>–</u>	<u>(1,746)</u>
	<u><u>36,221</u></u>	<u><u>52,109</u></u>

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 30 days	6,949	1,608
31 to 60 days	2,895	1,849
61 to 90 days	2,031	2,617
91 to 180 days	754	754
Over 180 days	978	570
	<u>13,607</u>	<u>7,398</u>

The average credit period granted is ranging from 15 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. SECURED BANK BORROWINGS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
The carrying amounts of the borrowings were repayable:		
Within one year	79,075	63,562
Within a period of more than one year but not exceeding two years	66,670	44,830
Within a period of more than two years but not exceeding five years	160,160	82,370
Within a period of more than five years	<u>136,260</u>	<u>165,050</u>
	442,165	355,812
<i>Less:</i> amounts due within one year shown under current liabilities	<u>(79,075)</u>	<u>(63,562)</u>
Amounts shown under non-current liabilities	<u><u>363,090</u></u>	<u><u>292,250</u></u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings throughout the year are as follows:

	2015	2014
Effective interest rates:		
Fixed-rate borrowings	4.83% to 5.09%	7.80%
Variable-rate borrowings	<u>4.85% to 7.92%</u>	<u>5.55% to 7.50%</u>

The Group's bank borrowings were all denominated in RMB.

During the year ended 31 December 2015, the Group obtained new borrowings of approximately RMB149,915,000 (2014: RMB147,000,000). The proceeds were used to repay the existing bank borrowings and finance the Group's operation.

14. CONVERTIBLE NOTES

On 17 December 2014, the Company issued 5% convertible notes denominated in Hong Kong dollars ("HK\$") with the aggregate principal amount of HK\$115,000,000. Each note entitles the holder to convert to ordinary shares at a conversion price of HK\$1.25. On the same date, the Company signed a supplementary agreement with the note holders to specify that when a specific currency is converted into RMB or other lawful currency of the PRC, or vice versa, the spot rate of exchange would be the rates specified by the State Administration of Foreign Exchange of the PRC on 9 December 2014.

Conversion may occur at any time on or after 180 days after the issue day until 10 days prior to the maturity date, of which will be on 9 December 2016. If the notes have not been converted, they will be redeemed on second anniversary of the issue date. Interest will be paid semi-annually in arrears until the notes are converted or redeemed.

The convertible notes contain two components: liability and equity elements. The equity element is presented in equity heading “convertible notes reserve”. The effective interest rate of the liability component on initial recognition is 7.1% per annum.

As a result of the share subdivision, the conversion price of the convertible notes was adjusted from HK\$1.25 per share to HK\$0.625 per share on 26 May 2015.

During the year ended 31 December 2015, all three convertible notes holders had exercised the conversion rights and 184,000,000 new shares were issued and allotted to the convertible notes holders at HK\$0.625 per share. The new shares rank pari passu with the existing shares in all respects.

	Liability component	Equity component	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proceeds of issue	87,237	3,483	90,720
Transaction cost	(153)	(6)	(159)
Interest charged (<i>Note 6</i>)	<u>373</u>	<u>–</u>	<u>373</u>
At 31 December 2014	87,457	3,477	90,934
Interest charged (<i>Note 6</i>)	690	–	690
Interest non-payment (<i>Note & Note 5</i>)	(272)	–	(272)
Conversion of convertible notes	<u>(87,875)</u>	<u>(3,477)</u>	<u>(91,352)</u>
At 31 December 2015	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Note:

During the year ended 31 December 2015, the Company and all notes holders have entered into a supplemental deed in relation to the subscription agreement dated 1 December 2014 pursuant to which they agreed that any accrued and unpaid interest amount payable by the Company to the notes holders shall irrevocably and unconditionally be waived, and the Company’s liability as debtor to pay the notes holders as creditors any accrued and unpaid interest amount pursuant to the convertible notes shall be discharged in full. Accordingly, the amount recognised during the year ended 31 December 2014 has been reversed and recorded in other income during the year ended 31 December 2015.

Details of which are set out in the Company’s announcement dated 1 September 2015.

15. OBLIGATIONS UNDER FINANCE LEASES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Analysed for reporting purposes as:		
Current liabilities	40,268	34,321
Non-current liabilities	<u>105,107</u>	<u>141,080</u>
	<u>145,375</u>	<u>175,401</u>

During the year ended 31 December 2014, three subsidiaries of the Company entered into sales and leaseback arrangements. Pursuant to which certain of their property, plant and equipment for hydropower generation with an aggregate carrying values of approximately RMB45,013,000 have been sold at a consideration of RMB177,770,000 and have been leaseback with a lease term of 5 years. 10% of the lease proceed is regarded as secured deposit and will be refunded to the Group on the expiry of lease term. As at 31 December 2015, the security deposit has been discounted to its present value at approximately RMB15,924,000 (2014: RMB14,636,000) and included in other deposit and prepayment. Interest rates underlying the obligations under finance leases are fixed at contract date at variable rate with reference to The People's Bank of China Prescribed Interest Rate with 1.50% to 1.92% (2014: 1.50% to 1.92%) mark-up per annum. The effective interest rate for the obligations under finance leases for the year ended 31 December 2015 is ranged from 6.25% to 7.50% (2014: 7.50% to 7.92%) per annum. Lease-related costs amounting to approximately RMB4,980,000 has been capitalised on initial recognition of obligations under finance leases.

	Minimum lease payments		Present value of minimum lease payments	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Obligations under finance leases payable:				
Within one year	51,436	49,586	40,268	34,321
Within a period of more than one year but not more than two years	50,704	49,586	43,002	37,702
Within a period of more than two years but not more than five years	<u>66,425</u>	<u>116,316</u>	<u>62,105</u>	<u>103,378</u>
	168,565	215,488	145,375	175,401
<i>Less: future finance charges</i>	<u>(23,190)</u>	<u>(40,087)</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>145,375</u>	<u>175,401</u>	145,375	175,401
<i>Less: amount due for settlement within 12 months shown under current liabilities</i>			<u>(40,268)</u>	<u>(34,321)</u>
Amount due for settlement after 12 months shown under non-current liabilities			<u>105,107</u>	<u>141,080</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and pledged by the equity interest of certain subsidiaries.

16. DEBENTURES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
HK\$30,000,000 debentures carry fixed coupon rate of 8% per annum, payable in arrears every year with maturity until September 2017	<u>25,133</u>	<u>23,666</u>

On 3 September 2014, the Company has issued HK\$30,000,000 debentures at par value that carry a fixed coupon rate of 8% per annum. The purpose of the debentures is for the daily management and operation of the Group and future acquisition of appropriate hydropower projects when opportunity arises.

The Company shall redeem the whole of the outstanding debentures at the redemption amount equivalent to 100% of their principal amount together with any accrued but unpaid interest and other amounts owing thereon on the maturity date. The debenture holders are not entitled to request the Company to, redeem the debentures in whole or in part at its option prior to the maturity date except upon the occurrence of any of the events of default.

17. CAPITAL COMMITMENTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>28,100</u>	<u>28,167</u>

18. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of the entire equity interest in Fu'an Jiulong Hydropower Development Co., Ltd. ("Fu'an Jiulong") (福安九隆水電開發有限公司)

On 25 April 2014, the Group acquired the entire interest in Fu'an Jiulong from vendors ("Vendors"). Fu'an Jiulong is principally engaged in hydropower generation and was acquired with the objective of improving the Group's performance.

Consideration transferred

	<i>RMB'000</i>
Cash consideration (<i>Note</i>)	<u>40,000</u>

Note:

Loan to Fu'an Jiulong with principal amount of RMB3,268,000 was assigned by one of the Vendors to the Group pursuant to the sales and purchase agreement. The loan was unsecured, non-interest bearing and repayable on demand. The loan assignment was considered as part of the consideration of the acquisition.

Acquisition-related costs amounting to approximately RMB79,000 had been excluded from the consideration transferred and was recognised as an expense during the year ended 31 December 2014, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	<i>RMB'000</i>
Property, plant and equipment	30,855
Prepaid lease payments	3,807
Intangible assets	1,295
Trade and other receivables	1,082
Bank balances and cash	548
Trade and other payables	(1,042)
Income tax payables	(9)
Amount due to Vendor	(3,268)
Deferred tax liabilities	(6,037)
	<u>27,231</u>

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB1,082,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB1,082,000 at the date of acquisition. There were no contractual cash flows expected not to be collected at acquisition date.

Goodwill arising on acquisition

	<i>RMB'000</i>
Consideration transferred	40,000
<i>Less:</i> assignment of Vendors' loan	(3,268)
<i>Less:</i> recognised amount of identifiable net assets acquired	(27,231)
	<u>9,501</u>

Goodwill arose on the acquisition of Fu'an Jiulong because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of Fu'an Jiulong. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition was expected to be deductible for tax purpose.

Net cash outflow arising on acquisition

	<i>RMB'000</i>
Consideration transferred	40,000
<i>Less:</i> deposit paid for acquisition of a subsidiary	(16,000)
<i>Less:</i> cash and cash equivalents acquired	<u>(548)</u>
	<u><u>23,452</u></u>

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2014 was approximately RMB2,440,000 attributable to Fu'an Jiulong. Revenue for the year ended 31 December 2014 included approximately RMB6,670,000 generated from Fu'an Jiulong.

Had the acquisition of Fu'an Jiulong been effected at the beginning of the year ended 31 December 2014, the total amount of the profit of the Group for the year ended 31 December 2014 would have been approximately RMB42,358,000 and the amount of revenue for the year ended 31 December 2014 would have been approximately RMB66,571,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2014, nor was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Fu'an Jiulong been acquired at the beginning of the year ended 31 December 2014, the Directors calculated depreciation of property, plant and equipment and amortisation of prepaid lease payments and intangible assets on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

(b) Acquisition of the entire equity interest in Guangyuan Hydropower Operation Management Co., Ltd. ("Guangyuan Hydropower") (壽寧縣廣源水電營運有限公司)

On 29 July 2014, the Group acquired the entire equity interest in Guangyuan Hydropower from five independent third parties. Guangyuan Hydropower is principally engaged in provision of hydropower operation services, and repair and maintenance services and was acquired with the objectives of diversifying the Group's business and improving the Group's performance.

Consideration transferred

RMB'000

Cash consideration	500
--------------------	-----

Note:

Acquisition-related costs amounting to approximately RMB6,000 had been excluded from the consideration transferred and was recognised as an expense during the year ended 31 December 2014, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

RMB'000

Property, plant and equipment	711
Deferred tax assets	69
Trade and other receivables	428
Bank balances and cash	535
Trade and other payables	(1,337)
Income tax payables	(129)
	<u>277</u>

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB428,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB984,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB556,000.

Goodwill arising on acquisition

RMB'000

Consideration transferred	500
Less: recognised amount of identifiable net assets acquired	<u>(277)</u>
Goodwill arising on acquisition	<u>223</u>

Goodwill arose on the acquisition of Guangyuan Hydropower because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of Guangyuan Hydropower. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition was expected to be deductible for tax purpose.

Net cash inflow arising on acquisition

	<i>RMB'000</i>
Consideration transferred	500
<i>Less:</i> cash and cash equivalents acquired	(535)
	(35)
	(35)

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2014 was approximately RMB5,980,000 attributable to Guangyuan Hydropower. Revenue for the year ended 31 December 2014 included approximately RMB10,706,000 was attributable to Guangyuan Hydropower.

Had the acquisition of Guangyuan Hydropower been effected at the beginning of the year ended 31 December 2014, the total amount of the profit of the Group for the year ended 31 December 2014 would have been approximately RMB41,277,000 and the amount of revenue for the year ended 31 December 2014 would have been approximately RMB68,796,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2014, nor was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Guangyuan Hydropower been acquired at the beginning of the year ended 31 December 2014, the Directors calculated depreciation of property, plant and equipment on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

(c) **Acquisition of 90% equity interest in Huajin Huifu Energy Development Co., Ltd. (“Huajin Huifu”) (福建省海天華金滙富能源發展有限公司)**

On 15 December 2014, the Group acquired 90% equity interest in Huajin Huifu (in which the Group held 10% equity interest as at 31 December 2013 and classified such investment as available-for-sale investment) from Zhongshida Trading Co., Ltd. (福建中士達商貿有限公司), an independent third party. After the completion of this acquisition, Huajin Huifu became the wholly-owned subsidiary of the Group. Huajin Huifu is principally engaged in hydropower generation and was acquired with the objective of improving the Group’s performance.

Consideration transferred

	<i>RMB’000</i>
Cash consideration	54,000

Note:

Acquisition-related costs amounting to approximately RMB1,253,000 had been excluded from the consideration transferred and was recognised as an expense during the year ended 31 December 2014, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	<i>RMB’000</i>
Property, plant and equipment	570,859
Prepaid lease payments	2,227
Intangible assets	680
Deferred tax assets	5
Trade and other receivables	53,379
Bank balances and cash	11,979
Trade and other payables	(243,356)
Income tax payables	(6,842)
Secured bank borrowings	(216,212)
Obligations under finance leases	(18,548)
Deferred tax liabilities	(42,544)
	<u>111,627</u>

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB53,379,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB53,619,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB240,000.

Goodwill arising on acquisition

	<i>RMB'000</i>
Consideration transferred	54,000
Fair value of 10% interest in Huajin Huifu	<u>27,062</u>
Total consideration	81,062
<i>Add:</i> non-controlling interest	41,121
<i>Less:</i> recognised amount of identifiable net assets acquired	<u>(111,627)</u>
Goodwill arising on acquisition	<u><u>10,556</u></u>

The non-controlling interests were measured at the proportionate share of the fair value of identifiable assets acquired and liabilities of Huajin Huifu and its subsidiaries at the acquisition date.

Goodwill arose on the acquisition of Huajin Huifu because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of Huajin Huifu. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition was expected to be deductible for tax purpose.

Net cash outflow arising on acquisition

	<i>RMB'000</i>
Cash consideration transferred	54,000
<i>Less:</i> cash and cash equivalents acquired	<u>(11,979)</u>
	<u><u>42,021</u></u>

The Group recognised a gain of approximately RMB21,062,000 as a result of measurement of fair value on its 10% equity interest held before this business combination. The gain was included in the Group's profit for the year ended 31 December 2014.

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2014 was approximately RMB3,165,000 attributable to Huajin Huifu. Revenue for the year ended 31 December 2014 included approximately RMB5,837,000 generated from Huajin Huifu.

Had the acquisition of Huajin Huifu been effected at the beginning of the year ended 31 December 2014, the total amount of the profit of the Group for the year ended 31 December 2014 would have been approximately RMB71,551,000 and the amount of revenue for the year ended 31 December 2014 would have been approximately RMB208,041,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of year ended 31 December 2014, nor was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Huajin Huifu been acquired at the beginning of the year ended 31 December 2014, the Directors calculated depreciation of property, plant and equipment, amortisation of prepaid lease payments and intangible assets on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition consolidated financial statements.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 31 December 2015 (after trading hours), the Company entered into a subscription agreement (the "Subscription Agreement") with a subscriber (the "Subscriber") pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue to the Subscriber 100,000,000 new shares of the Company at the subscription price of HK\$1.00 per subscription share (the "Subscription Shares") under the General Mandate (the "Subscription"). Completion is subject to the conditions precedent set out in the Subscription Agreement.

On 3 February 2016, the Subscription was completed. An aggregate of 100,000,000 Subscription Shares, representing approximately 4.38% of the issued share capital of the Company immediately after the completion of the Subscription and as at 3 February 2016 have been issued to the Subscriber under the General Mandate. The net proceeds raised from the Subscription are approximately HK\$99,900,000.

Details of which are set out in the announcements of the Company dated 31 December 2015 and 3 February 2016 respectively.

- (b) Subsequent to the end of the reporting period, a wholly-owned subsidiary of the Company entered into a loan agreement with a bank to obtain a bank borrowing of RMB300,000,000 for the purpose of financing the acquisition of hydropower plants. The bank borrowing was drawn down on 14 January 2016. The bank borrowing was secured by a corporate guarantee provided by Fujian Dachuan Hydropower Development Co., Ltd. ("Fujian Dachuan") (福建省大川水電開發有限公司), entire equity interest of Fujian Sifang Hydropower Investment Co. Ltd. ("Sifang Hydropower") 福建省四方水電投資有限公司 and 71% equity interest of Fuyuan Hydropower Co., Ltd. ("Fuyuan Hydropower") (壽寧縣富源水電有限公司).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the hydropower generation, trading of electricity and operation and management of hydropower plants in the PRC which were either developed by itself or acquired from other parties. As at 31 December 2015, the Group possessed two 110 kV electricity transmission lines with total length of 190 km and eleven (seven wholly-owned and four non wholly-owned) hydropower plants, namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Ningde Jinxi-I Hydropower Plant, Fu'an Jiulong-I Hydropower Station, Fu'an Jiulong-II Hydropower Station, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant in Fujian Province in the PRC. The total installed capacity of the Group attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 88.67 MW. The operational details of the hydropower plants are listed as below:

Ma Tou Shan Hydropower Plant (福安市馬頭山水電站)

Ma Tou Shan Hydropower Plant is located on Qianyang Stream of Saijiang Basin (賽江流域茜洋溪) in Xibing Town (溪柄鎮), Fuan City (福安市) of Fujian Province. With a total installed capacity of 11.25 MW, Ma Tou Shan Hydropower Plant commenced power generation for sale in June 2007. Ma Tou Shan Hydropower Plant is an impoundment dam reservoir hydropower plant which is built with a water diversion structure (dam) spanning the river and a water conveyance facility (tunnels and penstocks) which conveys water to the powerhouse. The powerhouse contains two 5.0 MW and one 1.25 MW vertical water turbine generators (直立式水輪發電機組). The reservoir has a design of a total capacity of approximately 9,980,000 m³, which possesses the function of "seasonal adjustment (季調節)", i.e. the reservoir could store excess water in the high precipitation season for the use of electricity generation in low precipitation season during the same year.

Indicators	2015	2014
Installed capacity (MW)	11.25	11.25
Gross generation (MWh) attributed to the Group	47,275	43,083
Applicable on-grid tariff (RMB/KWh), including Value Added Tax ("VAT")	<u>0.35-0.38</u>	<u>0.331-0.35</u>

Qianping Hydropower Plant (周寧縣前坪水電站)

Qianping Hydropower Plant is located on the Longting Stream (龍亭溪) of the Muyang Basin (穆陽流域), Zhouning County (周寧縣) of Ningde City (寧德市) in Fujian Province. With a total installed capacity of 10 MW, Qianping Hydropower Plant commenced power generation for sale in June 2008. Qianping Hydropower Plant is an impoundment dam reservoir hydropower plant which is built with a water diversion structure (dam) spanning the river and a water conveyance facility (tunnels and penstocks) which conveys water to the powerhouse. The powerhouse contains two 5.0 MW horizontal water turbine generators. The dam controls a catchment area of approximately 44 km². The reservoir has a design of total capacity of approximately 3,340,000 m³, which possesses the function of “seasonal adjustment (季調節)”, i.e. the reservoir could store excess water in the high precipitation season or the use of electricity generation in low precipitation season during the same year.

Indicators	2015	2014
Installed capacity (MW)	10	10
Gross generation (MWh) attributed to the Group	49,763	53,006
Applicable on-grid tariff (RMB/KWh), including VAT	<u>0.331-0.37</u>	<u>0.331</u>

Jiulong Hydropower Plant (周寧縣九龍水電站)

Jiulong Hydropower Plant is located at Qibu town (七步鎮), Zhouning County (周寧縣) of Ningde City (寧德市) in Fujian Province. It comprises cross stream hydrological works which divert the water from upstream of Bapu Stream (八蒲溪), a tributary of Muyang Stream (穆陽溪), into Qibu Stream (七步溪). Jiulong Hydropower Plant has a total installed capacity of 5.0 MW. It commenced power generation for sale in April 2003. Jiulong Hydropower Plant was acquired by the Group in May 2010.

Jiulong Hydropower Plant is an impoundment dam reservoir hydropower plant which is built with a water diversion structure (dam) spanning the river and a water conveyance facility (tunnels and penstocks) which conveys water to the powerhouse. The powerhouse contains two 2.5 MW horizontal water turbine generators (臥式水輪發電機組). The dam controls a catchment area of approximately 46 km². The reservoir has an adjusted capacity (水庫調節庫容) of approximately 59,000 m³, which possesses the function of “daily adjustment (日調節)”, i.e. the reservoir could store excess water in the high water hours for the use of electricity generation in low water hours during 24 hours.

Indicators	2015	2014
Installed capacity (MW)	5	5
Gross generation (MWh) attributed to the Group	26,567	27,009
Applicable on-grid tariff (RMB/KWh), including VAT	<u>0.301-0.321</u>	<u>0.301</u>

Extension Development of Jiulong Hydropower Plant

To strengthen the future cash flow and further expand our operation, the Group plans to develop an additional hydropower plant in Bapu Stream (八蒲溪), Zhouning County, Fujian Province, the PRC. The Group was granted the development right by the relevant authority to develop additional hydropower plants in Bapu Stream for an operating period of 50 years. Such additional hydropower plant is regarded as an extension of the existing Jiulong Hydropower Plant as it will make use of the water resources of the same river, Bapu Stream, as Jiulong Hydropower Plant.

In September 2012, the Group proactively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. Depending on the construction progress, the Directors believe the mainframe construction will be completed in the first quarter of 2018 and the project will start to contribute revenue to the Group in March 2018.

Ningde Jinxi-I Hydropower Plant (寧德市金溪一級水電站)

Ningde Jinxi-I Hydropower Plant is located in Guyang village, a Baizhang natural village, Jinhan town, Ningde city in Fujian Province. With a total installed capacity of 3.2 MW, the powerhouse contains two 1.6 MW horizontal water turbine generators (臥式水輪機組). Jinxi-I Hydropower Plant commenced power generation for sale in May 2008. Jinxi-I Hydropower Plant was acquired by the Group in April 2013. Jinxi-I Hydropower Plant is a comprehensive hydropower plant. The reservoir has total capacity of 1,066,000 m³ and adjusted capacity of 389,000 m³, which possesses the function of “daily adjustment (日調節)”. i.e. the reservoir could store excess water in the high water hours for the use of electricity generation in low water hours during 24 hours.

Indicators	2015	2014
Installed capacity (MW)	3.2	3.2
Gross generation (MWh) attributed to the Group	13,969	10,445
Applicable on-grid tariff (RMB/KWh), including VAT	<u>0.301-0.321</u>	<u>0.301</u>

Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station

(福安市九龍一級及二級水電站)

Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station are located in Muyun Xiang, Fu'an City in Fujian Province and were acquired by the Group in April 2014. Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station are diversion type hydropower stations (引水式水電站), which are built with a water diversion structure (dam) spanning the river and a water conveyance facility (tunnels and penstocks) which conveys water to the powerhouse. The total installed capacity of Fu'an Jiulong-I Hydropower Station is 2.4 MW. The reservoir has total capacity of 410,000 m³ and capacity adjustment coefficient is 2.07%. The total installed capacity of Fu'an Jiulong-II Hydropower Station is 2.1 MW. The reservoir has total capacity of 156,000 m³ and capacity adjustment coefficient is 0.56%.

Indicators	2015	2014
Installed capacity (MW)	4.5	4.5
Gross generation (MWh) attributed to the Group	28,596	20,265
Applicable on-grid tariff (RMB/KWh), including VAT	<u>0.35-0.37</u>	<u>0.325-0.35</u>

Liuchai Hydropower Plant & Xiadongxi Hydropower Plant (劉柴電站及下東溪電站)

Liuchai Hydropower Plant is located at Yintan Village (印潭村), Xietan Town (斜灘鎮), Shouning County (壽寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Liuchai Hydropower Plant is 20 MW. The dam controls a catchment area of approximately 270 km². The reservoir possesses the function of “daily adjustment (日調節)”.

Indicators	2015	2014
Installed capacity (MW)	20	20
Gross generation (MWh) attributed to the Group	73,149	3,968
Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB0.562 (2014: RMB0.562) Electricity of low period: RMB0.208 (2014: RMB0.208).	

Xiadongxi Hydropower Plant is located at Dongxi Village (東溪村), Xietan Town (斜灘鎮), Shouning County (壽寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Xiadongxi Hydropower Plant is 30 MW. The dam controls a catchment area of approximately 179 km². The reservoir possesses the function of “monthly adjustment (月調節)”.

Indicators	2015	2014
Installed capacity (MW)	30	30
Gross generation (MWh) attributed to the Group	83,671	4,488
Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB0.562 (2014: RMB0.562) Electricity of low period: RMB0.208 (2014: RMB0.208).	

Huangqiling-II Hydropower Plant (黃旗嶺二級電站)

Huangqiling-II Hydropower Plant is located at Youwan Village (油灣村), Limen Town (禮門鄉), Zhouning County (周寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Huangqiling-II Hydropower Plant is 9 MW. The dam controls a catchment area of approximately 71.22 km². The reservoir possesses the function of “daily adjustment (日調節)”.

Indicators	2015	2014
Installed capacity (MW)	9.0	9.0
Gross generation (MWh) attributed to the Group	39,095	2,436
Applicable on-grid tariff (RMB/KWh), including VAT	0.321-0.351	0.321

Cheling-II Hydropower Plant (車嶺二級電站)

Cheling-II Hydropower Plant is located at Shantian Village (山田村), Xietan Town (斜灘鎮), Shouning County (壽寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Cheling-II Hydropower Plant is 15 MW. The dam controls a catchment area of approximately 99.1 km². The reservoir possesses the function of “semi-hourly adjustment (半小時調節)”.

Indicators	2015	2014
Installed capacity (MW)	15.0	15.0
Gross generation (MWh) attributed to the Group	<u>59,055</u>	<u>1,490</u>

Applicable on-grid tariff (RMB/KWh), including VAT To State Grid Fujian Shouning Electricity Limited Company (國網福建壽寧縣供電有限公司): RMB0.287/KWh (2014: RMB0.287/KWh);

Electricity Charges, including VAT To Shouning Ronghua Metal Products Company (“Ronghua Metal”) (壽寧榮華金屬制品有限公司): RMB0.57/KWh (2014: RMB0.57/KWh) of peak period, RMB0.32/KWh (2014: RMB0.32/KWh) of low period.

Kengdou Hydropower Plant (坑兜電站)

Kengdou Hydropower Plant is located at Zhuguanlong Town (竹管壟鄉), Shouning County (壽寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Kengdou Hydropower Plant is 3.2 MW. The dam controls a catchment area of approximately 104.6 km². The reservoir possesses the function of “weekly adjustment (週調節)”.

Indicators	2015	2014
Installed capacity (MW)	3.2	3.2
Gross generation (MWh) attributed to the Group	<u>12,928</u>	<u>116</u>

Applicable on-grid tariff (RMB/KWh), including VAT Electricity of peak period: RMB0.384/KWh (2014: RMB0.384/KWh)
Electricity of low period: RMB0.32/KWh (2014: RMB0.32/KWh)

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of RMB206.7 million for the year ended 31 December 2015, representing a 220.5% increase as compared to RMB64.5 million for the year ended 31 December 2014.

The Group's revenues to date have been derived from the sale of electricity generated by the self-owned hydropower plants and electricity acquired from outsiders to local power grids in Fujian Province and Zhejiang Province, and the provision of repair and maintenance service and the provision of operating service to local hydropower plants in Fujian Province. The contribution of the Group's total revenue derived from power generation by each of hydropower plant as list as follows:

Hydropower Plant	Contribution of total revenue derived from power generation
Ma Tou Shan Hydropower Plant	10%
Qianping Hydropower Plant	10%
Jiulong Hydropower Plant	5%
Ningde Jinxi-I Hydropower Plant	3%
Fu'an Jiulong-I Hydropower Station & Fu'an Jiulong-II Hydropower Station	6%
Liuchai Hydropower Plant	19%
Xiadongxi Hydropower Plant	23%
Huangqiling-II Hydropower Plant	8%
Cheling-II Hydropower Plant	13%
Kengdou Hydropower Plant	3%

The sale of electricity increased from 167,521 MWh for the year ended 31 December 2014 to 534,593 MWh for the year ended 31 December 2015, representing approximately 219.1% growth. The increase was mainly due to the acquisition of the new hydropower plants. The revenues derived from the provision of hydropower operating services are from Guangyuan Hydropower.

Gross Profit and Gross Margin

The Group achieved a gross profit of approximately RMB133.6 million for the year ended 31 December 2015 (2014: RMB51.2 million), representing an increase of 160.9% as compared to that in 2014. Cost of sales increased from approximately RMB13.4 million for the year ended 31 December 2014 to approximately RMB73.1 million for the year ended 31 December 2015. Gross profit margin, calculated as gross profit divided by revenue, for the year ended 31 December 2015 amounted to 64.6% (2014: 79.4%). Such decrease was mainly due to the fact that on top of selling its own generated electricity, Huajin Huifu and its subsidiaries also sold electricity purchased from third parties and the gross profit margin of such trading activity was relatively lower than that of selling own generated electricity. During the year ended 31 December 2015, the cost of sales mainly included depreciation, direct salaries, operation fees, water resource fees and purchase of electricity. The 445.5% increase of cost of sales for the year ended 31 December 2015 compared to the last year was mainly due to the acquisition of the new hydropower plants in December 2014.

Administrative Expenses

The administrative expenses of the Group primarily comprised legal and professional fees and staff costs. For the year ended 31 December 2015, the Group's administrative expenses increased to approximately RMB19.6 million compared to approximately RMB8.1 million for the prior year, representing an increase of approximately 142.0%. The administrative expenses increased mainly due to the acquisition of new hydropower plants in December 2014 and expansion of the Group's management team.

Finance Costs

The finance costs of the Group mainly represented interest expenses on bank borrowings, other borrowing, debentures, and finance charges on obligations under finance leases. For the year ended 31 December 2015, finance costs recorded by the Group was approximately RMB37.2 million (2014: RMB16.0 million). The increase in finance costs was mainly due to the increased bank borrowings during the year.

Income Tax Expense

Owing to increased profit, the income tax expense of the Group increased by 162.4% from approximately RMB8.5 million for the year ended 31 December 2014 to approximately RMB22.3 million for the year ended 31 December 2015.

Profit for the year and Total Comprehensive Income

For the year ended 31 December 2015, profit and total comprehensive income attributable to owners of the Company increased by 12.4% from RMB41.8 million in the prior year to RMB47.0 million.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the year ended 31 December 2015 amounted to RMB cents 2.26 and RMB cents 2.17 respectively (2014: basic and diluted earnings per share amounted to RMB cents 2.09).

Liquidity and Financial Resources

The Group generally finances its operations from internally generated cash flows and borrowings. The Group maintained strong cash and bank balances of approximately RMB271.6 million as at 31 December 2015 (2014: RMB114.6 million). As at 31 December 2015, the Group had net current asset of RMB111.7 million (2014: net current liabilities RMB2.9 million).

The current ratio, as at 31 December 2015, represented by a ratio between current assets over current liabilities, was 1.63 (2014: 0.98) and the gearing ratio as at 31 December 2015, represented by a ratio between total debt over total assets, was 67.5% (2014: 78.9%). The decrease of the gearing ratio was mainly due to the conversion of convertible notes during the year.

Bank Borrowings and Obligations Under Finance Leases

As at 31 December 2015, the Group's bank borrowings amounted to approximately RMB442.2 million, bearing interest rates from 4.85% to 7.92% per annum, and the Group's finance leases amounted to approximately RMB145.4 million, bearing interest rates from 6.25% to 7.50% per annum.

Debentures

On 3 September, 2014, the Group has issued HK\$30,000,000 (equivalent to RMB23,666,000) debentures carries fixed coupon rate of 8% per annum which payables in arrears every year and is matured in September 2017. The purpose of the issuance is for daily management and operation of the Group and future acquisition of appropriate hydropower projects when opportunity arises.

Convertible notes

On 17 December 2014, the Company issued 5% convertible notes denominated in HK\$ with the aggregate principal amount of HK\$115,000,000 (equivalent to approximately RMB90,720,000). Interest of 5% will be paid semi-annually in arrears. Each note entitles the holder to convert to ordinary shares at a conversion price of HK\$1.25. As a result of the share subdivision, the conversion price of the convertible notes was adjusted from HK\$1.25 per share to HK\$0.625 per share on 26 May 2015.

Conversion may occur at any time on or after 180 days after the issue day until 10 day prior to the maturity date. If the notes have not been converted, they will be redeemed on second anniversary of the issue date.

During the year ended 31 December 2015, the Company and all notes holders have entered into a supplemental deed in relation to the above mentioned convertible notes subscription agreement that they agreed that any accrued and unpaid interest amount payable by the Company to the notes holders shall irrevocably and unconditionally be waived, and the Company's liability to pay the notes holders any accrued and unpaid interest amount pursuant to the convertible notes shall be discharged in full. Accordingly, the amount recognised during the year ended 31 December 2014 has been reversed and recorded in other income during the year ended 31 December 2015.

During the year ended 31 December 2015, all the Company issued convertible notes were exercised by the note holders. There is no outstanding convertible notes as at 31 December 2015.

Pledge of Assets

The bank borrowings of approximately RMB442.2 million (2014: RMB355.8 million) and the finance leases of approximately RMB145.4 million (2014: RMB175.4 million) as at 31 December 2015 were secured by certain prepaid lease payments, property, plant and equipment and electricity tariff collection rights.

As at 31 December 2015 and 2014, the entire equity interests of Zhouning Qianyuan Hydropower Development Co., Ltd. (周寧縣乾元水電開發有限公司), Fu'an Jiulong and Ningde Xingyuan Hydropower Co., Ltd. (寧德市興源水電有限公司), indirect subsidiaries of the Company, have been pledged to the lessor for securing obligations under finance leases.

As at 31 December 2015, two of the subsidiaries of the Company, Fujian Dachuan and Fuan Liyuan Hydropower Co., Ltd. (福安市力源水電開發有限公司) have provided corporate guarantees in relation to obligations under finance leases for a maximum amount of each RMB259,200,000 (2014: RMB259,200,000).

As at 31 December 2015, the entire equity interest of Sifang Hydropower and 71% equity interest of Fuyuan Hydropower have been pledged to a bank for securing a new bank borrowing of RMB300,000,000 of which the loan agreement is effective and the bank borrowing is drawn down subsequent to the end of the reporting period.

Foreign Exchange Exposure

The Group's income and expenditure during the year ended 31 December 2015 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 2015 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the current year.

Capital Structure

The total number of the issued shares of the Company was 2,184,000,000 shares as at 31 December 2015.

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities.

Final Dividend

The Directors do not recommend the payment of the final dividend for year ended 31 December 2015 (2014: nil).

Employees and Remuneration Policies

As at 31 December 2015, the Group employed approximately 222 employees, including Directors and the chief executive (2014: 221 employees). Total staff costs for the year under review, including Directors' and the chief executive's emoluments, amounted to approximately RMB14.1 million (2014: RMB4.8 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

Significant Investment Held, Material Acquisition and Disposal of Subsidiaries and Affiliated Companies, and Plans for Material Investment or Capital Assets

There was no significant investment held, material acquisition or disposal of subsidiary and affiliated companies during the year ended 31 December 2015. Save for the extension development of Jiulong Hydropower Plant as disclosed under Business Review of this Report, there is no plan for material investments or capital assets as at 31 December 2015.

OTHER INFORMATION

Comparison between Future Plans and Prospects and Actual Business Progress and Use of Proceeds

The following is a comparison of the Group's future plan as set out in the Company's prospectus dated 28 June 2012 (the "Prospectus") with actual business progress for the year ended 31 December 2015.

Business objectives as stated in the Prospectus

Enhancement of technologies and facilities of existing hydropower plants

Actual business progress up to 31 December 2015

The Group has commenced the extension development of Jiulong Hydropower Plant, which has received preliminary approval of Ningde Development and Reform Commission, and the Directors believe the project will receive final approval from the government in 2016. The bidding process of the engineering for the additional hydropower plant has been completed. The construction of incoming road has been completed for the basic needs of vehicle traffic. The design of electricity output transmission lines has been completed and reviewed by Ningde Power Supply Company and Provincial Power Company. Depending on the construction progress, the Directors believe the mainframe construction will be completed in the first quarter of 2018 and the project will start to contribute revenue to the Group in March 2018.

The net proceeds from the placing of the shares of the Company (“Placing”) from the date of listing (i.e. 6 July 2012) (the “Listing Date”), to 31 December 2015 had been applied as follows:

	Use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2015 HK\$'000	Actual use of proceeds from the Listing Date to 31 December 2015 HK\$'000
Possible acquisition of hydropower plants (<i>Note 2</i>)	44,700	44,700
Enhancement of technologies and facilities of existing hydropower plants (<i>Note 1</i>)	14,740	9,107
Enhancement of technologies and facilities of newly acquired hydropower plants	210	210
Enhancement of safety management	130	130
	<hr/>	<hr/>
Total	<u>59,780</u>	<u>54,147</u>

Note 1: The extension development of Jiulong Hydropower Plants was commenced in September 2012 and is still in process.

Note 2: The actual net proceeds from the Placing were approximately HK\$59.9 million, which was lower than the estimated net proceeds of approximately HK\$62.3 million, mainly due to the Placing price of the shares fixing at HK\$0.30 per share, lower than the midpoint of the indicative Placing price range of HK\$0.31 per share in the Prospectus. Accordingly, the allocation of the net proceeds from the Placing for acquisition of hydropower plants was adjusted to HK\$44.7 million.

Reference is made to the updates on the use of proceeds in the Group’s 2014 annual report. As at 31 December 2014, the Group has utilised HK\$52.5 million of the net proceeds from the Placing.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2015.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Code”) on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code throughout the year and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. The Company has applied and adopted the principles of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2015, the Company has complied with the code provisions set out in the CG Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and the CG Code and align with the latest developments.

CLOSURE OF REGISTER OF MEMBERS

The 2016 Annual General Meeting of the Company is scheduled on Monday, 16 May 2016. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 12 May 2016 to Monday, 16 May 2016 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11 May 2016.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited financial statements of the Group for the year ended 31 December 2015. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2015 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Haitian Hydropower International Limited
Lin Yang
Chairman and Executive Director

Fujian Province, the PRC, 15 March 2016

At the date of this announcement, the Board comprises four executive Directors, namely Mr. Lin Yang, Mr. Zheng Xuesong, Mr. Chen Congwen and Mr. Lin Tian Hai; and three independent non-executive Directors, namely Mr. Cheng Chuhan, Mr. Chan Kam Fuk and Mr. Xie Zuomin.

This announcement will remain on the "Latest Company Announcement" page of the website of GEM at www.hkgem.com for at least 7 days from the date of its posting and on the website of Company at www.haitianhydropower.com.